

Message Text

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TAGS: EEC, SP, EAGR

SUBJECT: EC-SPAIN TRADE RELATIONS

REF: (A) EC BRUSSELS 2673, (B) EC BRUSSELS 3447

1. SUMMARY. EC AND SPAIN APPEAR TO HAVE DEVISED A MUTUALLY SATISFACTORY WAY OF: (A) TECHNICALLY EXTENDING THE EC-SPANISH AGREEMENT OF 1970 TO COVER SPAIN'S TRADE WITH ALL NINE EC MEMBERS ON JULY 1, AND (B) RETAINING THE ESSENCE OF PRESENT TRADING ARRANGEMENTS THROUGH 1977 BY ADOPTION OF A SERIES OF "AUTONOMOUS" REGIMES FROM JULY 1. IT IS ENVISAGED THAT FURTHER EC-SPANISH NEGOTIATIONS ON A BROAD ADAPTATION OF THE 1970 AGREEMENT, ENTAILING TARIFF CUTS IN THE AGRICULTURAL AND INDUSTRIAL SECTORS, WILL BE HELD THIS FALL. END SUMMARY.

2. AFTER INCONCLUSIVE NEGOTIATIONS FROM LATE APRIL THROUGH MID-MAY ON EC-SPANISH TRADING ARRANGEMENTS AFTER JULY 1 (REF A DISCUSSED THE TWO SIDES' RESPECTIVE POSI-
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TIONS), EC AND SPANISH NEGOTIATORS AGREED IN PRINCIPLE AT A MAY 27 SESSION IN BRUSSELS TO A FORMULA WHICH TEMPORARILY MEETS BOTH SIDES' MAIN REQUIREMENTS: (A) IT MEETS THE EC'S DEMAND THAT THE EC-SPANISH AGREEMENT OF 1970 BE APPLIED TO SPAIN'S OVERALL TRADE WITH THE UK, IRELAND AND DENMARK AS REQUIRED IN THE LATTER'S ACCESSION AGREEMENTS; AND (B) IT MEETS SPAIN'S INTEREST IN MAINTAINING ITS

PRESENT POSITION IN THE UK, DANISH, AND IRISH MARKETS FOR CERTAIN AGRICULTURAL PRODUCTS UNTIL FURTHER EC-SPAIN TARIFF REDUCTIONS CAN BE NEGOTIATED. THE MAY 27 UNDERSTANDING, THE DETAILS OF WHICH ARE TO BE WORKED OUT IN FURTHER DISCUSSIONS DURING JUNE AND CONFIRMED BY AN EXCHANGE OF NOTES BEFORE THE END OF THE MONTH, IN EFFECT BUYS A FEW MONTHS' TIME DURING WHICH THE TWO SIDES CAN UNDERTAKE NEGOTIATIONS ON A WIDER ADAPTATION OF THE 1970 AGREEMENT.

3. WE ARE TOLD THAT THE MAY 27 UNDERSTANDING PROVIDES ROUGHLY AS FOLLOWS:

(A) EXTENSION OF 1970 AGREEMENT. THE EC-SPAIN AGREEMENT OF 1970 WILL APPLY TO TWO-WAY TRADE BETWEEN SPAIN AND THE NINE EC MEMBERS FROM JULY 1. COMMISSION AND COREPER OFFICIALS POINT OUT THAT EXTENSION OF THE AGREEMENT TO THE THREE NEWEST EC MEMBERS WAS LEGALLY REQUIRED ANYWAY, AND THAT THE EC DOES NOT ACCEPT GOS SPOKESMAN'S EXPLANATION TO SPANISH PRESS THAT EXTENSION OF 1970 AGREEMENT WAS A SPANISH "CONCESSION" WHICH CAN BE UNILATERALLY REVOKED IF THE SPANIARDS SUBSEQUENTLY WISH.

(B) AGRICULTURAL TRADE. UK, DENMARK AND IRELAND WILL BE PERMITTED TO EXTEND PRESENT TRADING ARRANGEMENTS THROUGH THE END OF 1977 FOR A LIST OF ABOUT HALF A DOZEN "SENSITIVE" SPANISH PRODUCTS WHICH INCLUDES CITRUS AND TOMATOES. ON OTHER ITEMS, CONSIDERED LESS SENSITIVE BY SPAIN, THE NORMAL EC RULES WILL APPLY UNIFORMLY FOR SPANISH IMPORTS.

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(C) INDUSTRIAL TRADE. THE THREE NEWEST EC MEMBERS WILL ACCORD SPAIN THE SAME TARIFF CONCESSIONS AS DO THE ORIGINAL SIX MEMBERS. SPAIN, WHICH HAS NEVER GIVEN INDUSTRIAL TARIFF CONCESSIONS TO THE UK, DENMARK AND IRELAND, WILL ACCORD THEM THE SAME REDUCTIONS (AN AVERAGE OF 23-25 PER CENT) IT GIVES OTHER EC MEMBERS. THE EC WILL INCREASE COMMUNITY-WIDE QUOTAS FOR ENTRY, FREE OF DUTY OR AT LOW DUTY, OF CERTAIN PRODUCTS CONSIDERED "SENSITIVE" BY THE SPANIARDS. (WE DO NOT HAVE A LIST OF THE LATTER PRODUCTS.) HINTON

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